Considering Top Meme Stocks? 2 Cheap Canadian Stocks to Buy Instead

Description

The meme stock mania continues to capture the headlines. Traders betting on top Reddit stocks might make some quick money, but the risks of getting hammered on the pullback are also significant. Investors with a buy-and-hold strategy might want to consider some other cheap alternatives today.

Canadian National Railway

Canadian National Railway (TSX:CNR)(NYSE:CNI) is trying to buy **Kansas City Southern** (NYSE:KSU) for US$30 billion-plus debt. The market punished the stock in recent weeks for the brazen move by CN's management team to outbid its Canadian competitor, **CP Rail**, for Kansas City Souther after CP already had a tentative agreement in place to buy Kansas City Southern for US$25 billion-plus debt.

CN shares traded as high as $149 this year. The stock fell as low as $126 on the takeover news and currently trades close to $134. Ongoing near-term volatility should be expected until investors find out if regulators will approve the deal. In the event CN is forced to abandon the takeover, it will lose the US$700 million it agreed to give Kansas City Southern to cover the break fee for dumping CP Rail.

Buying CN on a dip has historically proven to be a good strategy. The current pullback shouldn't be different. Whether CN buys Kansas City Southern or continues to operate under the current scenario the company should deliver strong long-term profits and free cash flow.

CN already has a wide competitive moat. Adding Kansas City Southern would strengthen the position. Economic growth in Canada and the U.S. is ramping up and could roll along at a blistering pace for the next few years. CN transports most of the raw materials and finished goods used in the economy and stands to see demand for its services increase in the coming months and years.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) trades near $50 per share and provides investors with a 6.7%

dividend yield. Distribution growth should trend at 5-7% per year over the medium term, in line with expected gains in distributable cash flow (DCF). Even if the stock doesn't move higher, the return you get on the dividend makes the shares attractive today.

Enbridge's oil pipelines took a hit last year. The plunge in fuel demand meant refineries didn't need as much crude oil feedstock. In the coming months, businesses will bring employees back to the office and domestic travel should increase. Once the international border closures are removed, airlines will ramp up fuel purchases. The rise in commuter traffic and air travel should drive strong fuel demand. As this happens, Enbridge will benefit.

On the growth side, the company is moving away from oil pipelines and investing more money in building its natural gas transmission, storage, and distribution utility businesses, along with expanding the renewable energy group.

The stock is off the 2020 lows but still looks cheap. It wouldn't be a surprise to see Enbridge slowly climb back to its 2015 high of around $65 over the next two years.

The bottom line

Top meme stocks are entertaining to follow, and the wild moves in the top Reddit stocks have made some traders rich.

If you have some meme stock profits to invest in and want a safer bet, or simply don't have the stomach for the Reddit stock volatility, CN and Enbridge look like attractive alternative picks today for a buy-and-hold portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/27
Date Created
2021/06/18
Author
aswalker